# AMERICAN EAGLE PETROLEUMS LTD.

ANNUAL REPORT 1975

## OFFICERS AND DIRECTORS AND THEIR PRINCIPAL OCCUPATIONS

Dallas E. Hawkins II, Calgary, Alberta
Chairman of the Board of Directors & Director
President of Oakwood Petroleums Ltd.,
Oil and Gas Company.

Gerhard Kasdorf, Calgary, Alberta
President & Director
Vice-President of Oakwood Petroleums Ltd.

Brian G. McCombe, Calgary, Alberta
Secretary & Director
Partner with McCombe, Cameron & Cormie, Barristers and Solicitors

Brian S. Ekstrom, Calgary, Alberta
Treasurer & Director
Vice-President of Oakwood Petroleums Ltd.
President of Brian Ekstrom Management Ltd.,
Management Company.

L. Lamont Gordon, Montreal, Quebec
Director
President of Gordon Securities Ltd., Broker-Dealer.

Gerald E. Naylen, Regina, Saskatchewan
Director
Partner with Hleck, Kanuka & Co., Barristers and Solicitors

G.J. van den Berg, Beaconsfield, Quebec
Director
Director of Investors Group, Mutual Fund

Trudy V. Kerr, Calgary, Alberta
Assistant Secretary

**Head Office**
220 One Calgary Place, 330 - 5th Avenue S.W., Calgary, Alberta T2P 0L4

**Subsidiary Companies**
American Eagle Petroleums, Inc.
Gull Oil & Gas Ltd.

**Auditors**
Thorne Riddell & Co., Calgary, Alberta

**Legal Counsel**
McCombe, Cameron & Cormie

**Banker**
The Royal Bank of Canada, Calgary, Alberta

**Registrars and Transfer Agent**
The Canada Trust Company, Calgary, Alberta
Montreal, Toronto, Regina

**Stock Exchange Listings**
Montreal Stock Exchange
Toronto Stock Exchange

## STATISTICAL SUMMARY

| | 1975 | 1974 |
|---|---|---|
| Crude Oil and Natural Gas Sales | $ 361,100 | $ 370,907 |
| Net Earnings (Loss) | (402,243) | 100,266 |
| Earnings (Loss) per share | (0.09) | 0.03 |
| Shares Outstanding | 4,151,629 | 4,151,629 |
| Gross Wells Drilled | | |
| Oil | 3 | 6 |
| Gas | 8 | 1 |
| Dry | 8 | 10 |
| Net Reserves | | |
| Oil — Proved and Probable (barrels) | 633,200 | 703,700 |
| Gas — Proved and Probable (million cubic feet) | 9,030 | 9,940 |
| Non-Producing Property Interests | | |
| Gross Acres | 2,070,169 | 2,137,912 |
| Net Acres | 129,193 | 121,971 |
| Number of Shareholders | 881 | 856 |

# DIRECTORS' REPORT TO SHAREHOLDERS

The Directors of your Company are pleased to present your Company's 1975 Annual Report for the year ended December 31, 1975.

During 1975 your Company was very active in drilling and the acquisition of reserves. We participated in 19 wells resulting in 8 gas wells, 3 oil wells and 8 dry holes. The increased activity is as a direct result of the more positive policies that have been adopted by both the Federal and Alberta Provincial Governments. These policies have not however been adopted by the Saskatchewan Government, therefore, we have limited our activities in this province. With the shortage of energy anticipated by many of the companies as early as the 1980's, it will be your Company's policy to continue an active drilling program and acquisition of additional properties wherever possible.

During the early part of 1976, American Eagle, together with Conventures Limited, Atco Gas & Oil Ltd. and Oakwood Petroleums Ltd. entered into a Farmout Agreement with Amoco Canada Petroleum Company Ltd. in T48 R11 W5M on the western edge of the Pembina field. This farmout covered 8 sections and since the acquisition of the farmout, American Eagle and partners have drilled 4 successful wells, 3 of which are Cardium oil wells and one is a Blairmore gas well. We are also actively pursuing the acquisition of another section from Amoco on which there is a Cardium oil well. The acquisition of these properties will result in a very active drilling program on the properties during 1976. There may be as many as 30 wells to be drilled before the property is completely developed. American Eagle has a 19½% working interest.

During 1975, your Company acquired a 10% working interest in 12,000 acres and a 1½% gross overriding royalty, convertible to a 10% working interest at payout in approximately 9,280 acres. All these lands are located in the Saddle Lake Area of Alberta. At the time of purchase there were 15 shut-in gas wells on the properties and since that time, 2 additional wells have been drilled. The purchase of these producing properties will add substantially to American Eagle's cash flow.

Your Company will also be very active in the Wildmere area during 1976 where we have a number of leases which are expiring and will have to be evaluated prior to expiration. During the latter part of 1975, American Eagle, together with its subsidiary Gull Oil & Gas Ltd., Conventures Limited and Husky Oil Operations Ltd. drilled 3 wells, 2 of which were oil discoveries. Further development can be anticipated to more fully evaluate the potential of these discoveries.

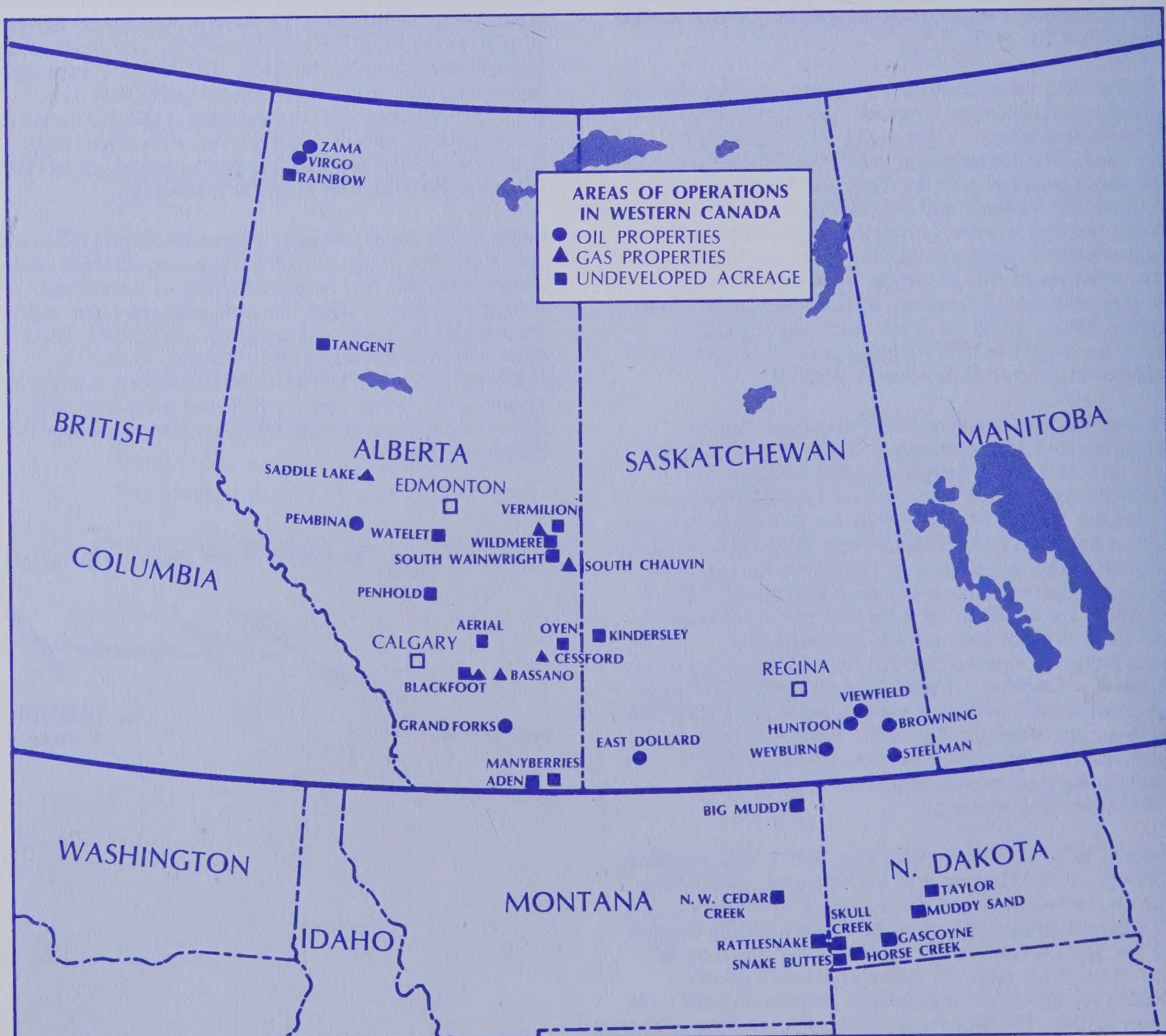
In last year's Annual Report it was noted that Oakwood and American Eagle would be working in close unity since Oakwood had acquired effective control of American Eagle. During the past year we have been sharing office space and using the same staff. These changes have resulted in a substantial saving in overhead to American Eagle. The Company is working toward an excellent year in 1976 and increased drilling activity should result in an improved asset position and increased cash flow.

On behalf of the Board of Directors

G. Kasdorf

G. KASDORF
President

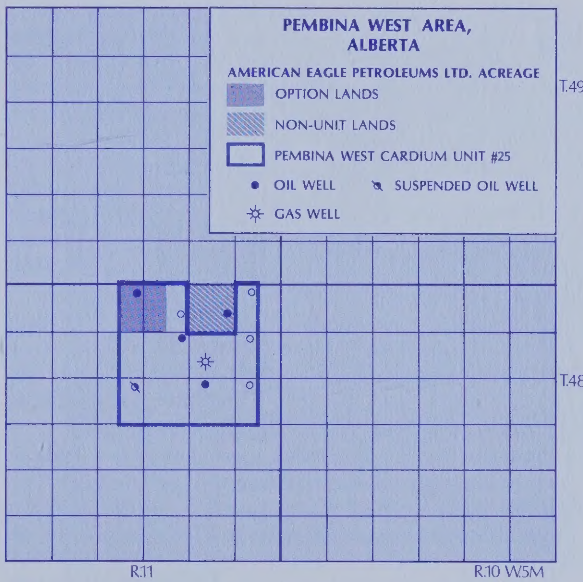
Sept. 15/76.


AREAS OF OPERATIONS
IN WESTERN CANADA
OIL PROPERTIES
GAS PROPERTIES
UNDEVELOPED ACREAGE
BRITISH
COLUMBIA
ALBERTA
SASKATCHEWAN
MANITOBA
WASHINGTON
IDAHO
MONTANA
N. DAKOTA
ZAMA
VIRGO
RAINBOW
TANGENT
SADDLE LAKE
EDMONTON
PEMBINA
WATELET
VERMILION
WILDMERE
SOUTH WAINWRIGHT
SOUTH CHAUVIN
PENHOLD
AERIAL
OYEN
KINDERSLEY
CALGARY
CESSFORD
BLACKFOOT
BASSANO
REGINA
VIEWFIELD
HUNTOON
BROWNING
WEYBURN
STEELMAN
GRAND FORKS
EAST DOLLARD
MANYBERRIES
ADEN
BIG MUDDY
N. W. CEDAR
CREEK
SKULL
CREEK
TAYLOR
MUDDY SAND
RATTLESNAKE
GASCOYNE
SNAKE BUTTES
HORSE CREEK

## RESERVES

Your Company has again hired an independent engineering firm to evaluate its properties effective January 1, 1976. The evaluation was prepared by McDaniel Consultants (1965) Ltd.

Net proven and probable recoverable oil reserves remaining at January 1, 1976, were estimated to be 633,200 barrels. Net proven and probable recoverable natural gas reserves were 9.03 billion cubic feet. The proven reserves are forecast to generate a future net revenue of $9,665,800 and this net revenue was estimated to have a present worth value of $3,981,723 discounted at 9%. In addition to the reserves which the Company holds, it also has properties which do not have any reserves assigned to them at this time but are estimated to have a value of $1,000,000. There has been a significant increase in both oil and gas reserves during 1975 and there should be a further significant increase during 1976 as a result of your Company's continued program to explore and further develop additional reserves.




## EXPLORATION AND DEVELOPMENT

### PEMBINA AREA, ALBERTA

Early in 1976, Oakwood Petroleums Ltd., together with Conventures Limited, Atco Gas & Oil Ltd., and American Eagle Petroleums Ltd. as Operator, entered into a Farmout Option Agreement with Amoco Canada Petroleum Company Ltd. for the drilling of a Cardium well on a 9-section block in T48 R11 W5M. Under the Farmout Option Agreement, the Farmees earned a 100% working interest in 8 sections subject only to a 10% gross overriding royalty, and an option to earn a like interest in one other section, where there exists one producing Cardium oil well. American Eagle's interest in the lands earned is a 19.5% working interest. The commitment well located in Lsd. 16-27-48-11 W5M was drilled and completed as a Cardium oil well.

To the date of this report, four wells have been drilled on the prospect, resulting in three Cardium oil wells and one Blairmore gas well, with an additional four locations to be drilled within the very near future. The Cardium formation in 8 of the 9 sections under the Amoco farmout has been unitized, effective May 21, 1976. It is anticipated to have the wells placed on production some time early in the summer of 1976.

### CONNORSVILLE AREA, ALBERTA

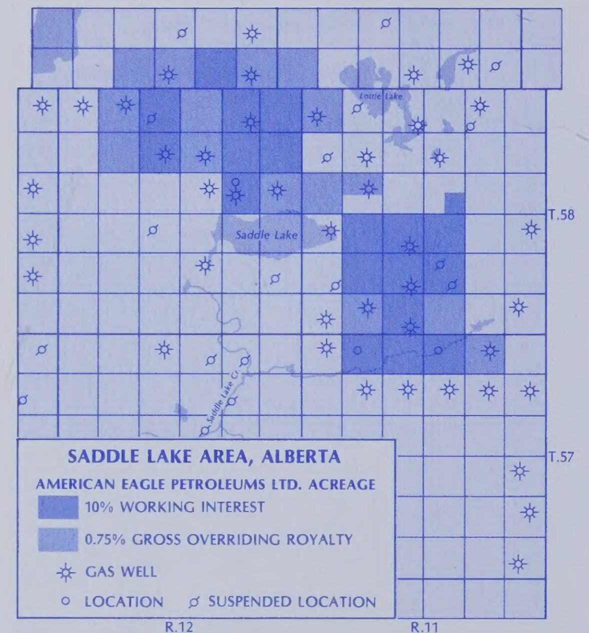
We have completed a three-well drilling program in the Connorsville area, the 10-20-27-14 W4M, 11-12-26-15 W4M and the 6-34-27-16 W4M. None of these encountered any gas in deeper zones but all three are being completed as Medicine Hat gas wells. The completion of these wells will result in additional development in the area.

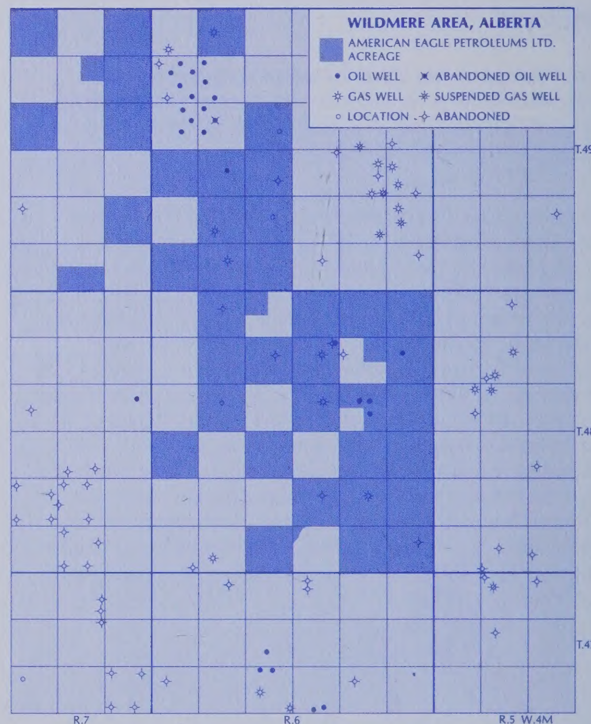
### SADDLE LAKE AREA, ALBERTA

Effective November 1, 1975, American Eagle, together with Oakwood and partners, purchased a 50% working interest in approximately 12,000 acres and a 7.5% gross overriding royalty, convertible to a working interest at payout in approximately 9,280 acres, located in Twps. 57, 58 and 59, Rges. 11 and 12 W4M. American Eagle's share of the purchase was 20% of the total interest purchased. At the time of purchase there was a total of 15 shut-in gas wells on the properties and since that time an additional 2 wells have been drilled and are standing as shut-in gas wells.

The properties were very recently placed on stream, and it is estimated that the revenue from the properties should add substantially to American Eagle's income.

Your Company feels that the Saddle Lake acquisition has been a very worthwhile purchase. It will however, require some additional funds for development of the area.




## OFFSHORE LABRADOR

American Eagle has a 6.6971% working interest in 753,404 permit acres located off the East Coast of Labrador. Eastcan has completed a well to the south of this acreage and is presently completing wells north of our acreage. They have also indicated that they will be continuing their activity in the area over the next year or two. With this continued activity it is hoped that American Eagle will be in a better position to evaluate its acreage in the area.

## WILDMERE AREA, ALBERTA

Your Company has drilled 3 wells in the Wildmere area during the latter part of 1975, 2 of which were oil discoveries. These discoveries located in 10-17-49-6 W4M and 11-25-48-6 W4M have been placed on production. To the writing of this report, 7 additional wells have been drilled on our properties, 4 were discoveries and 3 were dry holes. It is anticipated that a number of follow-up wells will be required to thoroughly evaluate our land holdings in the area and also to evaluate the discoveries that have been made to date. Much of the drilling has been necessitated by the fact that a number of the leases in the area expired August 28, 1976. Our partners in most of the development area are Husky Oil Operations Ltd. and Conventures Limited. American Eagle and its subsidiary Gull Oil & Gas Ltd. hold approximately a 50% working interest.

## LAS COLORADAS PROPERTY — DURANGO, MEXICO

Your Company has acquired a two year option to purchase 49% of the stock of a Mexican company which has an option to purchase the Las Coloradas property in Durango, Mexico. The property is located in the State of Durango in the Sierra Madre, approximately 60 miles east of Culiacan, Sinaloa. The property consists of five contiguous mineral claims owned by Mr. Guadalupe Sicairos of Culiacan. High grade gold and silver mineralization was discovered in the Las Coloradas area in 1935. By 1939 six separate mining operations were being conducted on occurrences that are presently covered by the Las Coloradas property. A Report was prepared in 1939 by C. W. Vaupell which outlined the potential of the area. After acquiring the option, American Eagle and partners hired Wollex Exploration Ltd. to do a preliminary study. The study included a VLF survey and a Magnetometer survey. In addition, samples were taken from various areas on the property. The results of the study were excellent and the samples averaged a .5 oz. of gold per ton and 25.3 oz. of silver per ton. Some samples ran as high as 3.6 oz. of gold per ton and 109 oz. of silver per ton. American Eagle and partners have committed to do an additional $50,000 of work on the property during the next two years. This

work will be done to establish the tonnage present. American Eagle has a 50% interest in this venture.

**PRICE RANGE OF THE COMPANY'S SHARES FOR THE LAST TWO YEARS**

| | 1975 | | 1974 | |
|---|---|---|---|---|
| **Quarter** | **High** | **Low** | **High** | **Low** |
| First | $ .53 | $ .35 | $1.14 | $ .76 |
| Second | .46 | .33 | 1.20 | .90 |
| Third | .51 | .29 | .91 | .50 |
| Fourth | .45 | .29 | .63 | .30 |

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME**

Material changes in the Company's operations between the year ended December 31, 1974 and the year ended December 31, 1975 can be itemized as follows:

1. Gross revenue from oil and gas sales declined from $370,907 in 1974 to $361,100 in 1975, an approximate 2.6% decline. The primary reason for this decline is that the increase in oil and gas prices was slightly more than offset by a decline in production levels from the Company's producing properties.

2. Interest charges on corporate debt declined from $165,593 in 1974 to $104,466 in 1975 (a decrease of approximately 37%). Such decrease was the result of slightly lower interest rates in 1975 and the reduction in the level of bank indebtedness for most of 1975.

3. The depletion and depreciation provision was reduced to $166,467 in 1975 from $210,678 in 1974 (an approximate 21% decrease) as a result of the lower levels of production for properties experiencing a decline in production rates.

4. Net loss for the year 1975 amounted to $402,243 as compared to a net income in 1974 of $100,266 (an approximate 501% decrease). The 1974 income figure reflects an extraordinary item of income of $658,349 on the sale of a portion of the Company's gas reserves. Also, 1975 figures include a charge against earnings of $97,719 which is a write-down in the carrying value of Company's investment in E.P.C. Corporation.

Material changes in Company's operations between the year ended December 31, 1973 and the year ended December 31, 1974 can be itemized as follows:

1. Revenue from oil and gas sales (net of all royalty burden) declined from $435,977 in 1973 to $370,907 in 1974 (an approximate 15.1% decline). The sales of crude oil and natural gas before deduction of royalty charges amounted to about $745,000 in 1974 — up from about $581,000 in 1973 (an approximate 28.2% increase). However, the royalty burden on these sales rose from approximately $145,000 in 1973 to approximately $375,000 in 1974 (an approximate 158.6% increase) — thereby reducing net oil and gas sales to $370,907 in 1974.

2. Expenses of the Company's producing properties rose by $31,103 to $142,809 (a 27.8% increase) in 1974 as a result of repair and maintenance expenditures on certain properties and as a result of general wage and price increases.

3. Interests costs on corporate debt rose to $165,593 from $125,165 — an increase of $40,428 (an approximate 32.3% increase). Such increase was primarily attributable to increased interest rates during 1974 and to the Company procuring interim loans until it received the proceeds from the sale of the Tide Lake gas reserves.

4. Administrative costs were reduced by $49,396 to $186,557 in 1974 as a result of certain efficiencies and economies practiced by Company in 1974.

5. Depletion and depreciation provisions totalled $210,678 in 1974 as compared to $172,068 in 1973 — an increase of $38,610 (an approximate 22.4% increase). Such increase resulted primarily from the Company using updated and somewhat more conservative reserve reports during 1974.

6. Extraordinary income amounting to $658,349 in 1974 resulted from the sale of a portion of Company's natural gas reserves — this being the net gain on sale after provision for taxes amounting to $420,900.

**AMERICAN EAGLE PETROLEUMS LTD.**

AND SUBSIDIARY COMPANIES

## CONSOLIDATED BALANCE SHEETS

December 31, 1975 and 1974

### ASSETS

| | 1975 | 1974 (note 1) |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and term deposits | $ 406,569 | $1,265,491 |
| Accounts receivable | 515,730 | 268,093 |
| | 922,299 | 1,533,584 |
| **INVESTMENT IN E.P.C. CORPORATION (Note 2)** | 1 | 91,489 |
| **PROPERTY AND EQUIPMENT (Note 1)** | | |
| Producing petroleum and natural gas leases and rights including development and equipment thereon, at cost | 3,023,700 | 2,272,122 |
| Accumulated depletion and depreciation | 1,061,114 | 894,646 |
| | 1,962,586 | 1,377,476 |
| Non-producing properties, at cost | 546,583 | 501,751 |
| | 2,509,169 | 1,879,227 |
| | $3,431,469 | $3,504,300 |

### LIABILITIES

| | 1975 | 1974 (note 1) |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued liabilities | $ 531,648 | $ 283,589 |
| Prepayments under gas sales contracts | 26,893 | — |
| Current maturities on long-term debt | 126,500 | 24,350 |
| | 685,041 | 307,939 |
| **LONG-TERM DEBT (Note 3)** | 1,140,000 | 1,178,650 |
| **DEFERRED INCOME TAXES** | 450,700 | 459,740 |
| **SHAREHOLDERS' EQUITY** | | |
| **CAPITAL STOCK (Note 4)** | | |
| Authorized | | |
| 20,000,000 common shares without par value | | |
| Issued | | |
| 4,151,629 shares | 3,103,210 | 3,103,210 |
| **DEFICIT** | 1,947,482 | 1,545,239 |
| | 1,155,728 | 1,557,971 |
| | $3,431,469 | $3,504,300 |

Approved by the Board:

G. KASDORF, Director

B. EKSTROM, Director

AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENTS OF EARNINGS

Years ended December 31, 1975 and 1974

| | 1975 | 1974 (note 1) |
|---|---|---|
| **Revenue** | | |
| Sales of oil and gas | $ 361,100 | $ 370,907 |
| Interest and other | 54,762 | 30,263 |
| | 415,862 | 401,170 |
| **Expenses** | | |
| Field operating | 128,611 | 142,809 |
| Lease rentals on undeveloped properties | 71,178 | 85,786 |
| Exploration | 35,025 | 53,626 |
| Engineering and consulting | 41,912 | 19,038 |
| General and administrative | 181,767 | 186,557 |
| Interest on long-term debt | 104,466 | 165,593 |
| Depreciation and depletion | 166,467 | 210,678 |
| Write-down of fixed assets | — | 222,396 |
| | 729,426 | 1,086,483 |
| Loss before income taxes and extraordinary items | (313,564) | (685,313) |
| Recovery of deferred income taxes | 9,040 | 127,230 |
| Loss before extraordinary items | (304,524) | (558,083) |
| Extraordinary items | | |
| Gain on disposal of resource property, net of deferred income taxes of $420,900 | — | 658,349 |
| Write-down of investment in E.P.C. Corporation | (97,719) | — |
| **NET EARNINGS (LOSS) FOR THE YEAR** | $(402,243) | $ 100,266 |
| **NET EARNINGS (LOSS) PER SHARE,** based on weighted average number of shares outstanding during the year | | |
| Loss before extraordinary items | $ (0.07) | $ (0.13) |
| Extraordinary items | (0.02) | 0.16 |
| Net earnings (loss) | $ (0.09) | $ 0.03 |

## CONSOLIDATED STATEMENTS OF DEFICIT

Years ended December 31, 1975 and 1974

| | 1975 | 1974 (note 1) |
|---|---|---|
| **DEFICIT AT BEGINNING OF YEAR** | | |
| As previously reported | $ (729,429) | $ (667,763) |
| Retroactive change in accounting for petroleum and natural gas operations (Note 1) | (815,810) | (977,742) |
| As restated | (1,545,239) | (1,645,505) |
| **NET EARNINGS (LOSS)** | (402,243) | 100,266 |
| **DEFICIT AT END OF YEAR** | $(1,947,482) | $(1,545,239) |

AND SUBSIDIARY COMPANIES

# CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1975 and 1974

| | 1975 | 1974 (note 1) |
|---|---|---|
| **WORKING CAPITAL DERIVED FROM** | | |
| Proceeds from sale of resource property | $ — | $1,961,504 |
| Proceeds from sale of fixed assets | 1,246 | 50,893 |
| Issue of shares | — | 20,000 |
| Other | — | 3,544 |
| | 1,246 | 2,035,941 |
| **WORKING CAPITAL APPLIED TO** | | |
| Operations before extraordinary items | 140,867 | 252,239 |
| Additions to property and equipment | 797,656 | 170,837 |
| Long-term debt, net | 38,650 | 178,242 |
| Conversion of 8% convertible notes | — | 20,000 |
| Other | 12,460 | — |
| | 989,633 | 621,318 |
| **INCREASE (DECREASE) IN WORKING CAPITAL** | (988,387) | 1,414,623 |
| **WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR** | 1,225,645 | (188,978) |
| **WORKING CAPITAL AT END OF YEAR** | $ 237,258 | $1,225,645 |

AND SUBSIDIARY COMPANIES

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 1975 and 1974

## 1. ACCOUNTING POLICIES

*(a) Consolidation*

The consolidated financial statements include the accounts of the Company and its subsidiaries all of which are wholly-owned.

*(b) Property and Equipment*

Prior to 1975 the Company followed the full cost method of accounting for exploration and development activities whereby all costs related to the exploration for and development of oil and gas reserves were capitalized. Such costs were depleted on a composite unit-of-production method based on estimated recoverable reserves.

In 1975 the Company retroactively adopted the practice of capitalizing the acquisition costs of both producing and non-producing properties and charging costs to earnings if the property is subsequently surrendered. The cost of drilling a productive well is capitalized and the cost of a non-productive well is charged to earnings when the well is determined to be dry. The costs of producing leases and development thereon are amortized using the unit-of-production method based upon estimated quantities of oil and gas as determined by the Company's engineers. The 1974 accounts have been restated to reflect this change in accounting principle which change increased net earnings for 1974 by $161,932 ($0.04 per share) and increased the loss for 1975 by $66,493 ($0.01 per share).

Equipment is depreciated on a straight-line basis over its estimated useful life.

*(c) Income Taxes*

The Company follows the tax allocation method of accounting whereby the income tax provision is based on the earnings reported in the accounts.

## 2. INVESTMENT IN E.P.C. CORPORATION

The Company owns 40% of the outstanding shares of E.P.C. Corporation for which there is no quoted market value.

The investment is carried at cost less amounts written off.

| | 1975 | 1974 |
|---|---|---|
| Shares, at cost | $80,929 | $80,929 |
| Advances | 16,791 | 10,560 |
| | 97,720 | 91,489 |
| Amounts written off | 97,719 | — |
| | $ 1 | $91,489 |

The ultimate recovery of the investment in E.P.C. Corporation is dependent upon that Company's ability to obtain a return on the funds spent on the research and development of a new technique based on radiometric principles for discovering oil and gas.

### 3. LONG-TERM DEBT

| | 1975 | 1974 |
|---|---|---|
| Production bank loans | $1,140,000 | $ 950,000 |
| 8% Convertible notes | 126,500 | 253,000 |
| | 1,266,500 | 1,203,000 |
| Less current maturities | 126,500 | 24,350 |
| | $1,140,000 | $1,178,650 |

The notes are convertible at any time until redemption into fully paid and non-assessable common shares of the Company on the basis of one share for every $0.80 principal amount of the notes.

The production bank loans are evidenced by demand promissory notes and are secured by petroleum and natural gas properties and accounts receivable. The loans are repayable out of future production proceeds and, accordingly, are not expected to require the use of existing working capital; therefore in 1975, no portion of the loans have been reclassified to current liabilities. Interest is payable at the rate of 1% above the prime rate set from time to time by a Canadian Chartered bank.

The estimated principal payments on long-term debt for the next five years are as follows: 1976 — $366,500; 1977 — $240,000; 1978 — $240,000; 1979 — $240,000; 1980 — $180,000.

### 4. CAPITAL STOCK

Transactions in the Company's capital stock during the year ended December 31, 1974 were as follows:

| | Number of Shares | Amount |
|---|---|---|
| Balance, at beginning of year | 4,126,629 | $3,083,210 |
| Issued on conversion of 8% notes | 25,000 | 20,000 |
| Balance, at end of year | 4,151,629 | $3,103,210 |

Common shares have been reserved for issuance as follows:

| | Number of Shares | |
|---|---|---|
| | 1975 | 1974 |
| Pursuant to shares granted to a director under a share purchase plan at $0.50 per share | 100,000 | 100,000 |
| For issuance on exercise of share purchase warrants at $1.50 per share expiring October 22, 1981 | 300,000 | 300,000 |
| On conversion of the $126,500 (1974 — $253,000) 8% convertible notes (Note 3) | 158,125 | 316,250 |
| | 558,125 | 716,250 |

### 5. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain 1974 figures have been reclassified to conform to the basis of presentation adopted for 1975.

### 6. STATUTORY INFORMATION

During 1975 the Company and its subsidiaries paid no remuneration to the Company's seven directors in their capacity as directors and paid $33,000 ($30,000 — 1974) to an officer of the Company, who is also a director.

## AUDITORS' REPORT

To the Shareholders of
American Eagle Petroleums Ltd.

We have examined the consolidated balance sheet of American Eagle Petroleums Ltd. and its subsidiary companies as at December 31, 1975 and the consolidated statements of earnings, deficit and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of affairs of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for petroleum and natural gas operations referred to in note 1 to the consolidated financial statements, on a basis consistent with that of the preceding year. All the transactions of the company that have come within our notice, in our opinion, have been within the objects and powers of the company.

We have also reviewed the application of the change in accounting for petroleum and natural gas operations referred to in note 1 as it affects the accompanying consolidated financial statements as at and for the year ended December 31, 1974. In our opinion the application of the change in accounting for petroleum and natural gas operations has been properly applied to the December 31, 1974 consolidated financial statements on the basis set forth in note 1.

Calgary, Alberta
May 28, 1976

THORNE RIDDELL & CO.
Chartered Accountants

## AUDITORS' REPORT

To the Shareholders of
American Eagle Petroleums Ltd.

We have examined the consolidated balance sheet of American Eagle Petroleums Ltd. and Subsidiaries as at December 31, 1974 and the consolidated statements of income and deficit and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Such examination was prior to the change in accounting for petroleum and natural gas operations as referred to in Note 1 to the consolidated financial statements of the company and its subsidiaries included elsewhere herein. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, subject to the outcome of the matter referred to in Note 2 to the consolidated financial statements, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of affairs of the company and subsidiaries as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. All the transactions of the company that have come within our notice, in our opinion, have been within the objects and powers of the company.

Calgary, Alberta
July 4, 1975

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

AMERICAN EAGLE PETROLEUMS LTD.

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